

Message Text

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ACTION EB-07

INFO OCT-01 AF-06 ARA-06 EUR-12 EA-07 ISO-00 IO-13 COME-00

AGR-05 TRSE-00 ITC-01 L-03 CIAE-00 INR-07 NSAE-00

OIC-02 PA-01 PRS-01 USIA-06 /078 W

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R 152028Z APR 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 0859

INFO USMISSION EC BRUSSELS

AMEMBASSY TOKYO

AMEMBASSY OTTAWA

AMEMBASSY CANBERRA

AMEMBASSY MBABANE

AMEMBASSY PRETORIA

AMEMBASSY BRASILIA

AMEMBASSY SAN JOSE

AMEMBASSY PORT LOUIS

AMEMBASSY STOCKHOLM

AMEMBASSY SUVA

AMEMBASSY MOSCOW

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AMEMBASSY ROME

AMEMBASSY GUATEMALA

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PASS AGRICULTURE

E.O. 11652: N/A

TAGS: ETRD, EAGR

SUBJECT: SUGAR -- INTERNATIONAL SUGAR ORGANIZATION (ISO)

CONSULTATIVE GROUP AND COUNCIL MEET-

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REF: LONDON 5753

1. SUMMARY. ISO CONSULTATIVE GROUP AND COUNCIL MEETINGS, APRIL 12-14, PROVIDED USEFUL INTERCHANGE OF VIEWS BUT LITTLE FORWARD MOVEMENT TOWARD A NEW AGREEMENT. DISCUSSIONS IN CONSULTATIVE GROUP CENTERED ON QUOTA FORMULA AND PURCHASE/SUPPLY COMMITMENT ARTICLES. CUBA FAVORED RETENTION OF OLD INTERNATIONAL SUGAR AGREEMENT (ISA) QUOTA APPROACH WHILE BRAZIL AND ARGENTINA FAVORED NEW THINKING. BRAZIL SUGGESTED POSSIBILITY OF ELIMINATION OF BOTH PURCHASE AND SUPPLY COMMITMENTS. COUNCIL DEFERRED DECISION ON CALLING FOR NEGOTIATIONS UNTIL JUNE 16-18 SESSION. END SUMMARY.

2. LITTLE EVIDENCE OF FORWARD MOVEMENT WAS DEMONSTRATED. SOME EXPORTERS PRESSED FOR IMPORTER ACCEPTANCE OF PURCHASE COMMITMENT. ALL IMPORTERS SPEAKING (EXCEPT USSR) CAST SEVERE DOUBT ON POSSIBILITY THAT PURCHASE COMMITMENT ARTICLE WOULD BE ACCEPTABLE.

3. DIFFERENCES BEGAN TO DEVELOP BETWEEN LARGE, MEDIUM AND SMALL EXPORTERS OVER QUOTA FORMULA. IMPORTERS, JOINED BY BRAZIL AND MAURITIUS, SUGGESTED GROUP PLACE MORE EMPHASIS ON POSSIBLE NEW APPROACHES. IN THIS REGARD ADAPTATION OF THE COFFEE AGREEMENT FORMULA TO SUGAR, I.E. BASING QUOTAS ON STOCKS AND PERFORMANCE (SUGGESTED BY CANADA) WAS BRIEFLY DISCUSSED, BUT WITHOUT COMMITMENT ON PART OF EXPORTERS. CUBA SEEMED PARTICULARLY CONSERVATIVE IN CONSIDERING DEVIATIONS FROM ISA EXPERIENCE UNDER OLD AGREEMENTS.

4. FAO OBSERVER VITON MADE LONG EXPOSITION ON NEED FOR EFFECTIVE AGREEMENT, WITH HIGH ENOUGH PRICES TO ASSURE EXPANSION TO MEET GROWING, LONG-TERM DEMAND FOR SUGAR PROJECTED BY FAO. HE CALLED FOR REALISTIC QUOTAS, EQUITABLY DISTRIBUTED AND LINKED TO STOCKS. VITON STRESSED NEED FOR EFFECTIVE STOCK MECHANISM IN NEW AGREEMENT.

5. THE DECISION ON WHETHER OR NOT TO HOLD A NEGOTIATION THIS YEAR WAS PUT OFF UNTIL THE SERIES OF MEETINGS NOW LIMITED OFFICIAL USE

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SCHEDULED FOR JUNE 16-18. A DECISION CANNOT WAIT BEYOND

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OIC-02 PA-01 PRS-01 USIA-06 /078 W

----- 090428

R 152028Z APR 76

FM AMEMBASSY LONDON

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INFO USMISSION EC BRUSSELS

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THAT POINT BECAUSE OF THE TIME NEEDED FOR DOCUMENT
PREPARATION. THE POSSIBILITIES ARE SEPTEMBER 1976,
MARCH 1977, OR A TWO STAGE CONFERENCE, SEPTEMBER-MARCH.

6. IN SPITE OF THE MINOR EVIDENCE OF FORWARD MOVEMENT
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AT THIS TIME, THE MEETINGS INDICATED THAT MANY FACTORS WILL HAVE TO BE TAKEN INTO ACCOUNT IN PREPARING A U.S. POSITION, WHENEVER NEGOTIATIONS ARE SCHEDULED. THESE INCLUDE (A) HOW TO INVOLVE THE MANY COMPONENTS OF THE U.S. SUGAR INDUSTRY IN PREPARATIONS; (B) THE RELATIONSHIP OF A NEW ISA TO U.S. BEET AND CANE PRODUCER INTERESTS, OUR IMPORTERS AND REFINERS, CONSUMERS, CONFECTIONERS, INDUSTRIAL USERS; AND (C) THE MULTITUDE OF FOREIGN RELATIONS ASPECTS. SPECIAL ARRANGEMENTS AND LONG-TERM PARTICIPATION CONTRACTS WERE MENTIONED DURING THE MEETINGS, AND MUST BE CONSIDERED IN OUR POSITION FORMULATION. NEED TO ASSURE THAT NON-MEMBERS NOT BE ADVANTAGED (OR THAT THEY BE DISADVANTAGED) IN NEW ISA WAS STRESSED. THIS ELEMENT MUST BE CONSIDERED WHEN EVENTUAL DECISION ON WHETHER TO PARTICIPATE OR NOT IS MADE. SINCE STOCKS WILL PLAY AN IMPORTANT ROLE WE MUST CONSIDER WHAT PART OF STOCKING PROCEDURE WOULD BE IN OUR BEST INTEREST. IT MAY BE DESIRABLE TO HOLD INFORMAL CONSULTATIONS WITH SELECTED PRODUCERS AND CONSUMERS BETWEEN NOW AND SEPTEMBER 1976 OR MARCH 1977, WHICHEVER DATE IS CHOSEN TO BEGIN NEGOTIATIONS. THE DIFFICULTIES INVOLVED FOR ALL PARTICIPANTS IN THE APRIL PREPCONS WERE NOT UNDER-ESTIMATED. THERE WILL BE A MULTITUDE OF DIFFICULT ISSUES TO BE FACED AND FOR WHICH CONSIDERABLE EFFORT WILL BE REQUIRED TO HAVE AN INFLUENTIAL U.S. POSITION.

SPIRES

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SUGAR, AGREEMENT DRAFT, INTERNATIONAL ORGANIZATIONS, INTERGOVERNMENTAL COOPERATION, NEGOTIATIONS, MEETING REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 15 APR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976LONDON05913
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760143-0631
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760458/aaaabxdw.tel
Line Count: 198
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 LONDON 5753
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 31 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <31 MAR 2004 by ShawDG>; APPROVED <01 APR 2004 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SUGAR -- INTERNATIONAL SUGAR ORGANIZATION (ISO) CONSULTATIVE GROUP AND COUNCIL MEET-
TAGS: ETRD, EAGR, ISO
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006